



8011-01p

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85984; File No. SR-NSCC-2019-001]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make a Clarification and Technical Changes to Addendum K

May 31, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 29, 2019, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(1) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to Addendum K of NSCC’s Rules & Procedures (“Rules”) in order to make a clarification and technical changes, as described in greater detail below.<sup>5</sup>

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change would amend Addendum K to make a clarification and technical changes, as described in greater detail below. The proposed rule change is only clarifying the language of the NSCC guaranty and, therefore, would not change any of the rights and obligations of NSCC's Members.

Addendum K describes NSCC's trade guaranty to Members regarding their CNS and balance order transactions. The proposed rule change would clarify Addendum K by adding language that was inadvertently deleted from the Rules in connection with the approval by the Commission of rule filing SR-NSCC-2016-005<sup>6</sup> and notice of no objection to advance notice SR-NSCC-2016-803.<sup>7</sup> Specifically, the proposed rule change would add “, and, in either case,” after clause (ii) in the third sentence to make it clear

---

<sup>6</sup> Securities Exchange Act Release No. 79598 (December 19, 2016), 81 FR 94462 (December 23, 2016) (SR-NSCC-2016-005).

<sup>7</sup> Securities Exchange Act Release No. 79592 (December 19, 2016), 81 FR 94448 (December 23, 2016) (SR-NSCC-2016-803).

that NSCC is guaranteeing balance order transactions through the close of business on T+2, whether submitted bilaterally or locked-in.

NSCC is also proposing to make the following technical changes to Addendum K:

- (1) Delete the word “orders” in the first sentence and replace it with “order” to be consistent with the use of this phrase in the Rules.
- (2) Replace the word “guarantee” with “guaranty” in footnote 1 as well as in the fourth sentence to be consistent with the use of this term in the Rules.
- (3) Replace the reference to “NSCC” in footnote 1 with “the Corporation” to be consistent with the use of this term in the Rules.
- (4) Replace the reference to “Options Clearing Corporation” in footnote 1 with “The Options Clearing Corporation” to reflect the proper legal name of the entity referenced.

## 2. Statutory Basis

NSCC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency.

Specifically, NSCC believes this proposal is consistent with Section 17A(b)(3)(F)<sup>8</sup> of the Act and Rule 17Ad-22(e)(23)(i),<sup>9</sup> as promulgated under the Act, for the reasons described below.

---

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 240.17Ad-22(e)(23)(i).

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>10</sup> NSCC believes that the proposed rule change would promote prompt and accurate clearance and settlement of securities transactions. This is because the proposed rule change would: (i) clarify the provision regarding the NSCC guaranty by adding language that reflects how the guaranty works and that was inadvertently deleted in a previous rule filing and (ii) make technical changes that would promote consistency in terminology usage and reflect a proper legal entity name, all of which would ensure that the Rules are clear and consistent. Having clear and consistent Rules would help Members to better understand their rights and obligations regarding NSCC's clearance and settlement services. NSCC believes that when Members better understand their rights and obligations regarding NSCC's clearance and settlement services, they can better act in accordance with the Rules. NSCC believes that better enabling Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC. As such, NSCC believes the proposed rule changes are consistent with Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(23)(i) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to publicly disclose all relevant rules and material procedures.<sup>11</sup> NSCC believes that the proposed rule change would improve the clarity and the transparency of the Rules by clarifying language and making the technical changes described in detail above. NSCC believes

---

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> 17 CFR 240.17Ad-22(e)(23)(i).

that by enhancing the clarity and transparency of the Rules (here in particular, the provisions associated with the NSCC guaranty), NSCC would ensure that the Rules disclose all relevant and material aspects of NSCC's guaranty. As such, NSCC believes these proposed rule changes are consistent with Rule 17Ad-22(e)(23)(i) under the Act.

(B) Clearing Agency's Statement on Burden on Competition

NSCC does not believe the proposed rule changes would impact competition. These changes are a clarification and technical changes that would not change NSCC's current practices or affect Members' rights and obligations. As such, NSCC believes these proposed rule changes would not have any impact on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to this proposed rule change have not been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>13</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

---

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2019-001 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NSCC-2019-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2019-001 and should be submitted on or before [insert date 21 days after date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Eduardo A. Aleman,  
Deputy Secretary.

---

<sup>14</sup> 17 CFR 200.30-3(a)(12).

